

## Message Text

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ACTION H-03

INFO OCT-01 EA-06 ISO-00 AID-01 SS-07 NSC-06 /024 W

----- 114501

R 160440Z NOV 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7752

INFO AMEMBASSY CANBERRA

AMEMBASSY MANILA

C O N F I D E N T I A L JAKARTA 14884

EO 11652: GDS

TAGS: OREP

SUBJECT: CODEL MORGAN

1. SUMMARY: IN ONE-DAY VISIT JAKARTA, CODEL MORGAN SAW PRESIDENT SUHARTO, FOREIGN MINISTER MALIK, MINISTER PLANNING WIDJOJO AND LEADERSHIP INDONESIAN PARLIAMENT. PRINCIPAL STATEMENTS OF INTEREST RELATED TO RELATIONS WITH HANOI, OIL POLICY AND INTERESTS OF DEVELOPING COUNTRIES. END SUMMARY.

2. IN VISIT TO JAKARTA NOVEMBER 15 CONGRESSMEN MORGAN, FOUNTAIN, GIBBONS AND LAGOMARSINO MET FIRST WITH PRESIDENT SUHARTO. PRESIDENT OPENED MEETING WITH REMARKS ON IMPORTANCE OF NATIONAL RESELIENCE AND ON CONSTITUTIONAL STRUCTURE WHICH UNDERLAY HIS POSITION AS PRESIDENT.

3. IN RESPONSE TO QUESTION FROM CHAIRMAN MORGAN ABOUT RELATIONS WITH REST OF ASIA, PRESIDENT DWELT PRIMARILY ON PROBLEM OF HANOI. HANOI HAD CAPACITY TO INFILTRATE WEAPONS INTO INDONESIA BUT WAS PRESENTLY PRIMARILY CONCERNED WITH RECONSTRUCTION. THE MORE OTHERS HELPED HANOI TO REBUILD, THE SOONER WOULD HANOI BEGIN TO UNDERTAKE SUBVERSIVE ACTIVITIES ABROAD IN PURSUIT OF COMMUNIST LONG-RANGE AIMS. ASEAN COUNTRIES HAD OPENED DOOR TO HANOI BUT HANOI DID NOT RESPOND. IN PRESIDENT'S VIEW HANOI DID NOT WISH CLOSE TIES WITH ASEAN COUNTRIES WHICH WOULD PRECLUDE LATER HELP FOR PRO-COMMUNIST ELEMENTS.

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4. IN RESPONSE TO QUESTION FROM GIBBONS ON FUTURE OIL

EXPLORATION PRESIDENT GAVE LENGTHY EXPLANATION OF RECENT NEGOTIATION WITH COMPANIES. POINTING OUT THAT INDONESIA HAD BEEN GETTING MUCH LESS FOR ITS OIL PER BARREL THAN COUNTRIES IN MIDDLE EAST, PRESIDENT SAID IT WAS IN COMAPNIES INTEREST TO CHANGE PROFIT MARGIN. OTHERWISE, THERE WAS RISK OF SOCIAL UNREST WHICH WOULD HAVE BEEN FAR GREATER THREAT TO COMPANIES FUTURE. PRESIDENT HOPED THAT ONCE COMPANIES HAD STUDIED SITUATION, THEY WOULD AGAIN SHOW UNDERSTANDING OF INDONESIA'S POSITION AND READINESS TO CONTINUE INVESTMENT.

5. PRESIDENT, IN RESPONDING TO ONE QUESTION (MORGAN), INDICATED HIS OPINION THAT PRC SUPPORTS THE CONCEPT OF NEUTRAL, PEACEFUL ZONE IN THIS AREA. HE VIEWED THAT AS A COMCOMITANT TO PEKING'S CONCERN ABOUT ITS FLANK FACING SOVIET UNION. HE FELT THAT CHINESE WILL CONTINUE TO SUPPORT SUBVERSIVE ACTIVITIES IN THAILAND, BURMA, MALAYSIA AND TO SOME EXTENT INDONESIA.

6. IN DISCUSSIONS WITH FOREIGN MINISTER MALIK, CONGRESSMAN FOUNTAIN RAISED DEMANDS OF DEVELOPING NATIONS IN NORTH/SOUTH DIALOGUE, ASKING WHAT DEVELOPING NATIONS REALLY WANTED. MALIK RESPONDED THAT DEVELOPING NATIONS BASICALLY WANTED DIALOGUE WITH INDUSTRIAL COUNTRIES ON ESSENTIAL QUESTIONS OF COMMODITIES, TERMS OF TRADE, AND DEBTS. INDONESIA, AT LEAST, DID NOT WANT CONFRANTATION.

7. IN MEETING WITH MALIK, CHAIRMAN MORGAN TOOK OCCASION TO EXPLAIN CONGRESSIONAL PROBLEM WITH MILITARY ASSISTANCE LEGISLATION BUT STRESSED THAT PRESIDENT WOULD CONTINUE TO HAVE DISCRETION TO PROVIDE ASSISTANCE AND MILITARY ADVISOTY GROUPS IN COUNTRIES WHERE HE FELT U.S. INTERESTS WERE INVOLVED. CHAIRMAN MORGAN FELT A GOOD CASE COULD STILL BE MADE TO CONGRESS.

8. ON QUESTION OF HANOI, MALIK SAID HANOI ONLY INTERESTED IN OIL TECHNOLOGY AND HAD ASKED INDONESIA FOR HELP BUT INDONESIA COULD ONLY PROVIDE SOME TECHNICAL ASSISTANCE IN PETROLEUM FIELD. MALIK, REFLECTING SOFTER LINE THAN PRESIDENT, SAID THAT ASEAN COUNTRIES WOULD NEED TO FIND CONFIDENTIAL

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MODUS VIVENDI WITH HANOI.

9. OTHER MALIK COMMENTS INCLUDED STATEMENT THAT INDONESIA REGARDED FUTURE U.S. BASES IN PHILIPPINES PRIMARILY AS MATTER FOR PHILIPPINES TO DECIDE. HE EXPLAINED THAT INDONESIA SUPPORTED ASEAN ZONE OF PEACE FREEDOM AND NEUTRALITY AS NECESSARY COUNTERWEIGHT TO EFFORTS BY SOVIETS TO PUSH FOR ASIAN COLLECTIVE SECURITY PACT. ON HANOI

MEMBERSHIP IN UN, HE SAID INDONESIA STILL FELT HANOI SHOULD BE EXCLUDED UNTIL TWO KOREANS ADMITTED. HE DID NOT SUGGEST, HOWEVER, INDONESIA WOULD OPENLY OPPOSE HANOI MEMBERSHIP.

10. MINISTER OF PLANNING WIDJOJO SPOKE PRIMARILY ABOUT INDONESIAN INTERNAL DEVELOPMENT PROBLEMS, GREAT APPRECIATION FOR IGGI AND FOR U.S. AID. HE SAID THAT NEW DIRECTION OF U.S. AID, PARTICULARLY IN FIELDS OF FAMILY PLANNING AND RURAL DEVELOPMENT FITTED IN WITH INDONESIA'S OWN PRIORITIES.

11. ON DEMANDS OF THRID WORLD, WIDJOJO EXPLAINED MECHANISM OF GROUP OF 77 FOR BRINGING TOGETHER AND SEEKING CONSENSUS OF NATIONS WHCIH HAD OFTEN DIFFERENT INTEREST. HE GAVE AS EXAMPLE PREOCCUPATION OF BANGLADESH AND INDIA WITH DEBTS, OF PHILIPPINS WITH EXPORTS, AND OF INDONESIA WITH PROTECTION OF COMMODITIES AND ACCESS TO CAPITAL MARKETS. HE HOPED THAT DIFFERENCES BETWEEN DEVELOPING AND INDUSTRIAL NATIONS COULD BE WORKED OUT BY AGREEMENT. HE GAVE TIN AGREEMENT AS EXAMPLE OF GOOD RESULT FROM SUCH NEGOTIATIONS AND EXPRESSED PLEASURE THAT U.S. HAD JOINED AGREEMENT.

12. IN RESPONSE TO QUESTION ABOUT INVESTMENT INCENTIVE, WIDJOJO MENTIONED THAT NEGOTIATIONS CURRENTLY UNDER WAY FOR MAJOR PROJECTS INCLUDING RIO TINTO MINING PROJECT IN SUMATRA, DOW CHEMICAL PETROCHEMICAL COMPLEX IN ACEH AND PACIFIC NICKEL DEVELOPMENT IN IRIAN JAYA. HE STRESSED IMPORTANCE OF SUCH INVESTMENTS TO INDONESIA.

13. REGARDING GSP AND OPEC, GIBBONS SAID THAT HE REGRETTEED THAT THE SITUATION HAD DEVELOPED AS IT DID, CONFIDENTIAL

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NOTING THAT THE SENATE HAD TAKEN THE INITIATIVE IN PASSING THE AMENDMENT. HE SAID THAT HIS COMMITTEE WOULD RETHINK THE ISSUE BUT THAT HE COULD NOT HOLD OUT NAY HOPE THAT THE AMENDMENT WOULD BE REPEALED. HE SAID THAT ENTIRE GSP WAS BEING RETHOUGHT AND WOULD BE REVIEWED BY HIS COMMITTEE. IN HIS VIEW, GIBBONS ADDED, GSP HAD CREATED PROBLEMS SINCE IT TOOK AWAY INCENTIVE OF LDCEs TO REDUCE ITS OWN TARIFFS. IN THE LONG RUN, LOWER TARIFFS ACROSS THE BOARD WITH MFN WOULD BE BETTER FOR ALL COUNTRIES. WIDJOJO EXPRESSED INTEREST IN GIBBONS' VIEWS BUT OBSERVED THAT IT WAS AN IMPORTANT ISSUE.

14. IN RESPONSE TO A QUESTION AS TO WHETHER OIL RESERVES ARE DECLINING, WIDJOJO ACKNOWLEDGED THAT INDONESIA DID NOT REALLY KNOW WHAT ITS RESERVES WERE. HE SAID INDONESIA

DID WANT FURTHER EXPLORATION INVESTMENT AND HOPED TO FIND  
FORMULA WHICH WOULD BE AGREEABLE TO COMPANIES.

15. FINALLY, WIDJOJO MENTIONED IMPORTANCE OF INCREASED  
FOOD PRODUCTION AND IN THIS CONNECTION EXPRESSED APPRE-  
CIATION FOR PL-480 WHICH WAS HELPING TO TIDE INDONESIA  
OVER DIFFICULT PERIOD.

16. ISSUE OF INDONESIA'S TARIFF ON CITRUS FRUIT BROUGHT  
UP BY LAGOMARSINO WITH SUHARTO AND WIDJOJO, WITHOUT  
COMMITMENT BY INDONESIANS.

17. FOREGOING CLEARED BY STAFF CODEL.

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## Message Attributes

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**Draft Date:** 16 NOV 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** greeneet  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** GS  
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**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 MAY 2004 by BoyleJA>; APPROVED <17 SEP 2004 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CODEL MORGAN  
**TAGS:** OREP, US, ID, (MORGAN, THOMAS E)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006